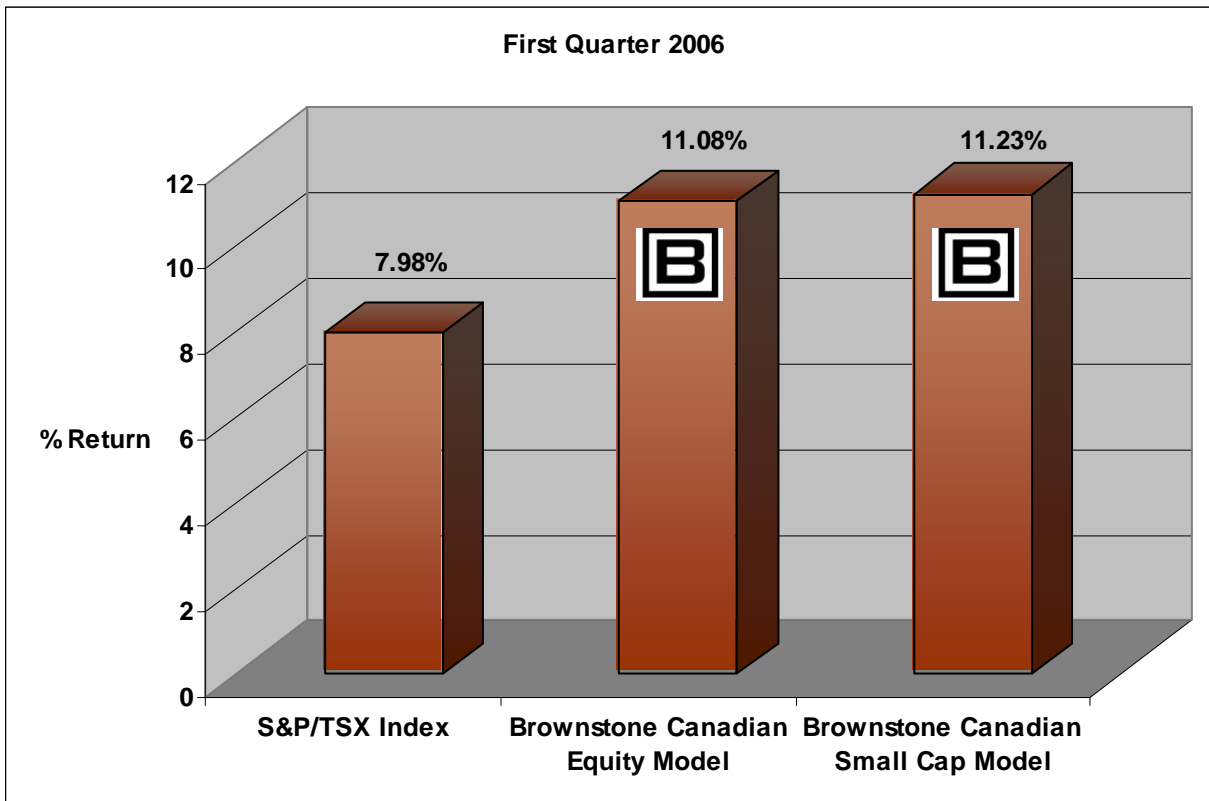




Double Digit Returns Mark Brownstone's 2006 First Quarter Return

The Canadian equity market started quickly out of the blocks in the first quarter of 2006, putting in an impressive 7.98% return. At Brownstone our stock selection proved its worth with a return of 11.08% from our core Canadian Equity model portfolio, and 11.23% from our Canadian Small Cap model portfolio. Small and mid cap stocks were the main drivers of our out-performance. One such example was VFC. In early February we witnessed the TD Bank announce its intention to buy VFC, a small Canadian firm specializing in providing non-prime automobile loans. The stock responded as expected, and we sold our position. As is typical in these situations, equities that are similar in nature to a takeover candidate also enjoy the ride up. At Brownstone we profited handsomely on VFC, and another specialized lender, XCEED Mortgage. These two holdings were among a number of our invested interests in financial services companies that contributed to a 22% sector return over the first quarter.

Our strong first quarter return was also attributable to our selection of income trusts. While we are cautious on the level of trusts that we invest in, we are aggressive in our selection and criteria for investment. We have focused our investments on a diversified set of non-energy trusts. Our goal is to ensure our collection of trusts operate in stable business environments and are relatively uncorrelated to each other. This reduces the risk associated with a sector meltdown. For example, our REIT holdings have enjoyed exceptional performance this quarter. Our small cap trust investments returned 21% in the first quarter, followed by our large trust selection at 14%. We have restricted our investments in energy trusts, and prefer to play energy through a diversified set of exploration and production companies.



Energy Stocks – The Balance of Opportunity and Risk in Brownstone Portfolios

There are wide ranging views on the future of commodity prices, and particularly crude oil. Traditional stalwarts of “cyclical thinking” would back an opinion suggesting that crude prices will ultimately recede as they have done in past energy spikes. A good number of Calgary energy executives to this day remain nervous of a “roll over” in energy prices. They have good reason to be cautious, as many of them have lived through the peaks and valleys which included a long run of \$11 - \$15 crude oil.

The alternative forecasting camp suggests that the new world order of exploding demand from China and India, reduced exploration prospects world wide, and the insatiable North American appetite for energy, all mixed together in a world of Middle East violence is the perfect and lasting storm to underpin energy prices north of \$50 going forth. At Brownstone we endeavor to balance the risks and opportunities presented by the energy sector.

Our job is two-fold under these circumstances. Firstly, we must ensure that we are adequately exposed to the investment opportunities presented by the sector. In that regard, we are invested in a range of exploration and production companies with exciting prospects and proven management teams. We are comfortable with our diverse set of energy names totaling about 20% of our invested capital. Those investments delivered a 58% return in 2005 and 7% over the first quarter of 2006. A number of our clients are successful Calgary-based energy executives. In their portfolios we exclude energy holdings as they currently have substantial invested capital in the sector and it does not make sense for Brownstone to “double down” the position.

Equally important is our duty to ensure preservation of capital on behalf of our clients. Given the volatile nature of the sector, combined with our determination to ensure capital preservation, we restrict our investments in energy to the 20% range. This guidepost allows us to moderate the volatility of our portfolios, and grow capital in a thoughtful risk-adjusted manner.

Brownstone Executive Team



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